

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 PA-02 PRS-01

USIA-15 /051 W

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P R 111938Z JUL 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 9191

INFO AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 1186

E.O. 11652: N/A

TAGS: ETRN EAIR BB AC

SUBJ: CIVAIR: NEW HOLDING COMPANY TO HANDLE LIAT

REF: BRIDGETOWN 0624 AND PREVIOUS

1. PRESS REPORTS APPEARING 7/11/75 STATE THAT CARICOM MINISTERS MEETING IN JAMAICA HAD AGREED ON CREATION OF WEST INDIES AIR TRANSPORT CORPORATION BY OCT 1 TO REPLACE LIAT (1974), LTD. ARTICLE MENTIONED THAT PM ERROL BARROW CHAIRED MEETING WHICH RECEIVED REPORTS FROM LIAT MANAGEMENT INDICATING THAT ECONOMY MEASURES HAD LESSENERED PREVIOUS RATE OF FINANCIAL LOSSES EXPERIENCED BY CARRIER. CARICOM MINISTERS ALSO REPORTEDLY AGREED ON ARRANGEMENTS FOR CONTINUATION OF AIR SERVICES TO ISLANDS (MOSTLY IN GRENADINES) SERVED ONLY BY LIAT'S SMALLER NORMAN ISLANDER AIRCRAFT. ADDITIONALLY, CARICOM SESSION REAFFIRMED EARLIER COMMITMENTS IN SHARE PARTICIPATION IN AIRLINE (BARBADOS 15 PERCENT, GUYANA, JAMAICA, ANTIGUA, DOMINICA, GRENADA, ST LUCIA 7 1/2 PERCENT EACH; ST KITTS INCREASED FROM 2 1/2 PERCENT TO 5 PERCENT). GOTT REPRESENTATIVE AND TRADE MINISTER ERROL MAHABIT REPORTEDLY LEFT OPEN AN OPTION TO CONVERT ITS US \$375,000 SOFT LOAN INTO EQUITY SHARES

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"UNTIL CERTAIN ESSENTIAL DATA IS PROVIDED TO GOTT."

2. LIAT ECONOMY MOVES ALSO CONTINUE. CARRIER LAID OFF SOME 82 PEOPLE (INCLUDING AIR-CREWS, ENGINEERS, RESERVATIONS AND MANAGEMENT PERSONNEL) THROUGHOUT REGION EFFECTIVE 6/30 AND HAS REDUCED FURTHER PEAK SUMMER SCHEDULES. THIS LEAVES CARRIER WITH ABOUT 550 PEOPLE. CONSIDERING ANNUAL FREIGHT/PASSENGER REVENUES OF APPROXIMATELY US\$6.5 MILLION AND SIZE OF FLEET (SIX AIRCRAFT), MOST OBSERVERS FEEL THAT THERE IS ROOM FOR FURTHER TRIMMING.

3. LIAT'S STILL PENDING LOAN APPLICATION TO CDB HAS STILL NOT COME BEFORE BANK'S BOARD OF DIRECTORS AND IS NOT ON AGENDA FOR NEXT B/D MEETING SLATED FOR JULY 17. GOV LOAN REPAYMENT HAS BEEN EXTENDED TO NOV 1, 1975 AND INTEREST RATE DROPPED FROM 14 PERCENT TO 8 PERCENT TO ALLOW LIAT OWNERS TIME TO LINE UP PERMANENT FINANCING.

4. DECISION TO RETAIN UNPROFITABLE SMALL ROUTES IS POLITICAL ONE WHICH INDICATES DIFFICULTY OF PLACING CARRIER ON BUSINESS-LIKE FOOTING. NOTHING APPARENTLY WAS SAID ABOUT SUBSIDIES FROM GOVERNMENTS SEEKING TO MAINTAIN THESE ROUTES, A RECOMMENDATION MADE BY CANADIAN MANAGEMENT STUDY.

5. LIAT REMAINS AIRBORNE ALBEIT SHAKILY. MAJOR PROBLEM OF CARRIER'S FINANCES REMAINS UNRESOLVED ALTHOUGH IF GOJ AND GOTT ARE WILLING TO PARTICIPATE IN LOAN GUARANTEE, CDB FINANCING MAY BE POSSIBILITY. (CDB OFFICIALS HAVE TOLD EMBASSY THAT BANK WOULD NOT CONTEMPLATE USING ANY US FUNDS FOR SUCH PURPOSE). BEST COURSE OF ACTION FOR US CONTINUES TO BE LETTING EASTERN CARIBBEAN COUNTRIES RESOLVE ISSUES, WHILE URGING HMG AND GOC TO PRESS CDB TO ENSURE THAT ISLANDS TAKE ACTIONS NECESSARY TO PLACE LIAT OPERATION ON ECONOMICALLY VIABLE BASIS BEFORE MAKING DECISION ON CDB LOAN APPLICATION. (HMG AND GOC WOULD HAVE TO APPROVE LOAN AS CDB BOARD OF DIRECTORS MEMBERS).

6. LIAT MANAGING DIRECTOR GEOFFREY GILBERT TELLS US THAT WIAT WOULD BE MERE HOLDING COMPANY TO MONITOR LIAT AND MAKE FOR SMOOTHER LIAISON WITH OWNERS (AREA GOVERNMENTS). WE PRESUME EMERGENCE OF WIAT WOULD NOT REQUIRE CHANGES IN CAB AIR CERTIFICATES.

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